

**Performance Audit:
Revenue Management in the
City Court of Atlanta and
Atlanta Municipal Court**

September 2004

Office of the City Internal Auditor

City of Atlanta



Performance Audit:

Revenue Management in the City Court of Atlanta and Atlanta Municipal Court

Why We Did This Audit

This audit was requested by the chief judge of the City Court and the city administration to review processes in the City and Municipal Courts. Our office also became aware of concerns regarding financial management within the City Court. These concerns warranted our attention because of the significant revenue generated by the court and the high risk associated with bank accounts outside the central control of the Department of Finance. Also, the planned consolidation of the courts introduces significant change and accompanying risks.

The audit focused on internal controls and policies and procedures for the collection and deposit of revenues. We also reviewed the controls for the information systems used by the courts to track revenue collections.

What We Recommended

We recommended that the City Court close all bank accounts and turn them over to the Department of Finance.

When the City and Municipal Courts are consolidated, they should develop written policies and procedures for all cashing and accounting functions, and staff should be appropriately trained on the implementation of these policies. The court should also review its current procedures and practices to ensure that they are consistent with city policies.

The consolidated court should consider the cost effectiveness of upgrading the current information system versus implementing a new system to provide the needed capabilities to improve financial management and increase the effectiveness of its operations. In the meantime, system changes should be made where possible to provide greater controls over the revenues and financial reporting.

For more information regarding this report, please contact Gerald Schaefer at 404.330.6876 or gschaefer@atlantaga.gov.

What We Found

The City and Municipal Courts collected a combined total of \$19.6 million in revenues in 2003. The Municipal Court generally had sufficient controls to assure accurate and complete revenue collections and reporting, and it has transferred revenues promptly to the city treasury. However, the City Court had control weaknesses that were so extensive that it could not ensure the revenues were collected and reported accurately and completely, or that they were promptly transferred to the city treasury. The City Court's inability to promptly deposit revenues into the city treasury was primarily the result of an unreliable and inadequate financial information system and the court's management of bank accounts that it had set up without authorization and outside the control of the Department of Finance. The delays in transferring revenues to the city resulted in lost interest earnings and noncompliance with state requirements for submission of earmarked fees and fines to the appropriate state agencies.

The Municipal Court had policies, procedures, and internal controls for its cashing and accounting functions that were adequate to safeguard the collected revenues; however, the City Court did not. The City Court was not performing basic accounting functions, such as daily reconciliation of cashier tills. It also had internal control weaknesses in other practices, including paying law enforcement officers in cash for their court appearances, insufficient segregation of duties, and a practice of cashing checks for court employees. Further, the City Court had imposed a \$40 warrant fee for probation violators for which the city's Department of Law determined there was no legal basis, and the court authorized one of its contractors to pay another contractor \$600,000 out of the collected probation fees. These practices circumvented the city's procurement and accounts payable policies, as well as generally accepted financial management practices.

Information systems at both the City and Municipal Courts needed additional system controls and support to properly safeguard the collected revenues, to provide for more efficient and effective cash collections processes, and to provide for continued operation if the current systems are down. Neither court used system audit trails for routine monitoring or had basic password and access controls.

The physical security within the new City Court building included surveillance cameras in several areas of the building, but not in the cashier areas. Further, the cash management room was in an exposed area that did not provide adequate security.



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Mayor Shirley Franklin
Council President Lisa Borders

September 15, 2004

Honorable Mayor and Members of the City Council:

This performance audit of revenue management at the City Court and Municipal Court was initiated after requests from the chief judge of the City Court and the city administration. We undertook the audit because the courts collect large amounts of cash and other forms of payment, and the pending consolidation of the two courts makes it even more important to review their processes and controls. The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6, of the City Charter.

We focused on three major aspects of the courts' performance of their revenue management responsibilities: the timeliness and accuracy of revenue deposits and reports; the existence of and compliance with effective policies and procedures for collecting payments; and the existence of internal controls and safeguards in the courts' information systems. We found serious problems in all three areas, especially at the City Court of Atlanta, also known as traffic court. The Municipal Court had fewer weaknesses in procedures and controls.

The problems at City Court take on added significance because it handles far larger amounts of revenue than does Municipal Court. Further, both courts cost more to operate than they generate in revenue – they required general fund support of \$8.3 million in 2003. Effective collection and management of court fee and fine revenue will be critical to making consolidated court operations more efficient and financially accountable.

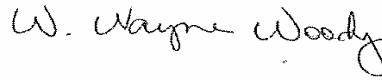
Poor management of information technology was a factor in some of the revenue management problems at the City Court. The court purchased a financial information system that has not performed as intended and has relied heavily on outside consultants to operate and maintain the system. The upgrading or replacement of this system to meet the consolidated court's needs must be carefully managed to control costs and avoid repeating the same mistakes.

Responses to the audit by the courts and by city management staff are encouraging. The courts have recently hired a court administrator responsible to both courts, and he has begun to address the problems. The court administrator's response, included as Appendix 2, reports actions planned and already taken on our 25 audit recommendations. The chief financial officer, chief information officer, and chief of police have also provided comments on several recommendations that require their assistance and support (see Appendices 3 through 5).

We appreciate the courtesy and cooperation of the judges and staff of the Municipal Court and the City Court, as well as the Departments of Finance, Information Technology, Law, and Police. The audit team for this project included Stephanie Jackson and Gerald Schaefer.

A handwritten signature in cursive script, appearing to read "Leslie Ward".

Leslie Ward
City Internal Auditor

A handwritten signature in cursive script, appearing to read "W. Wayne Woody".

Wayne Woody
Audit Committee Chair

Revenue Management in the City Court of Atlanta and Atlanta Municipal Court

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Introduction

This audit of the City Court of Atlanta (City Court, also commonly referred to as Traffic Court) and Atlanta Municipal Court (Municipal Court) was conducted pursuant to Chapter 6 of the Atlanta City Charter, which establishes the City of Atlanta Audit Committee and the Office of the City Internal Auditor and outlines the City Internal Auditor's primary duties. The Audit Committee reviewed the specific scope of this audit in May 2004.

A performance audit is an objective, systematic examination of evidence to independently assess the performance of an organization, program, activity, or function. The purpose of a performance audit is to provide information to improve public accountability and facilitate decision-making. Performance audits encompass a wide variety of objectives, including objectives related to assessing program effectiveness and results; economy and efficiency; internal control; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.¹

This audit was initiated after requests from the chief judge of the City Court and the city administration to review City Court and Municipal Court processes. Additionally, our office became aware of concerns regarding financial management within the City Court. These concerns warranted our attention because of the significant revenue generated by the court and the high risk associated with bank accounts outside the central control of the Department of Finance. Also, the planned consolidation of the courts introduces significant change and accompanying risks. Successful implementation depends on a thorough assessment of controls necessary in new and merged systems and processes.

¹ Comptroller General of the United States, *Government Auditing Standards*, Washington, DC: U.S. General Accounting Office, 2003, p. 21.

Audit Objectives

This report addresses the courts' revenue collection processes and controls, with a focus on the appropriate controls needed for a single system serving both courts. The report answers the following questions concerning the safeguarding of revenues at the courts:

- Do controls sufficiently ensure that revenues are collected accurately and completely and are deposited into the city treasury in a timely manner?
- Are adequate policies and procedures in place pertaining to revenue collections? Are the courts adhering to these procedures?
- Are the standard information system controls in place, including controls regarding system reliability, access, efficiency, and security?

Scope and Methodology

This audit was conducted in accordance with generally accepted government auditing standards. We conducted our audit field work from February 2004 through June 2004. The audit covered revenues collected from January 2003 through December 2003. The audit methods included:

- Interviewing court staff and vendors contracted by the city regarding the revenue collection process.
- Observing the procedures used to collect, record, and deposit revenues.
- Determining whether existing policies and procedures for collecting and depositing revenues are adequate and if they are properly executed.
- Reviewing the work of auditors in other jurisdictions and researching professional literature for information on best practices.

Overview of the Courts

The court system in the City of Atlanta consists of two courts: the Municipal Court and the City Court. The City Court handles traffic cases and same-offense misdemeanor or ordinance violations, while the Municipal Court handles only ordinance violations or state offenses within the city limits. The City Court is unique;

Atlanta is the only municipality in the state with a separate court to hear traffic cases.

Atlanta is the only municipality in the state that has a separate court to hear traffic cases.

The mayor of the City of Atlanta initiated efforts to have independent consultants review the feasibility of combining the two courts, primarily to improve efficiency and customer service, and to reduce costs.

Subsequent to these studies, state legislation was passed to consolidate the operations of the City and Municipal Courts. At the time of this report, the transition was underway; the number of court personnel has been reduced, Municipal Court staff have begun to move into the new City Court building, and a new court administrator has recently been hired to manage the consolidated court.

The Municipal Court was established pursuant to Article VI, Section I, of the Constitution of Georgia, and Title 36 of the Official Code of Georgia Annotated (O.C.G.A.), as amended. The Municipal Court's jurisdiction is limited to violations for which the punishment does not exceed a fine of \$1,000 and/or imprisonment for six months.

The City Court is a state-established city court, and was created pursuant to Georgia Laws 1996, Act 791, pp. 627, et seq. The court has jurisdiction to hear and decide all state or ordinance traffic violations and all other misdemeanor or ordinance violations arising out of the same occurrence as the traffic violation.

Specifically, the City Court has the responsibility for:

- (1) conducting court sessions for judges to try traffic violators;
- (2) conducting jury trials and bind-over hearings on more serious offenses;
- (3) collecting parking fines, court fines, and probation payments; and
- (4) serving warrants on defendants who fail to appear.

The budgets of both courts included the Solicitor and Public Defender's Offices. The Solicitor's Office is responsible for representing the interests of the citizens in all cases by direct prosecution of cases and by providing legal assistance to law enforcement agencies, city agencies, and the public. The Public Defender's Office represents indigent defendants tried in the court or who appear before the court for commitment purposes. The Municipal Court also houses the Pretrial Services Program, which performs a wide range of services for Municipal Court, City Court of Atlanta, the Atlanta Department of Corrections, and a variety of multijurisdictional entities.

EXHIBIT 1		
SUMMARY OF COURT EXPENSES AND BUDGETS, 2003 AND 2004		
City Court	2003 Expenses	2004 Budget
Operations	\$12,191,189	\$10,234,435
Solicitor	2,230,877	2,434,541
Public Defender	<u>1,131,496</u>	<u>1,370,173</u>
Total	<u>\$15,553,562</u>	<u>\$14,039,149</u>
Municipal Court		
Operations	\$5,798,817	\$ 6,154,401
Solicitor	2,738,303	3,227,200
Public Defender	2,072,224	2,460,505
Pretrial Services	1,462,322	1,625,809
Grant Funded	<u>272,116</u>	<u>351,625</u>
Total	<u>\$12,343,782</u>	<u>\$13,819,540</u>
Grand Total	<u>\$27,897,344</u>	<u>\$27,858,689</u>
Source: City of Atlanta Financial Information System (MARS-G)		

As shown in Exhibit 1, the courts' combined 2003 expenses and 2004 budgets were about \$27.9 million annually. During 2003, the courts collected a combined total of \$19.6 million (\$18.7 million by City Court and \$970,000 by Municipal Court) in fine and fee revenues. The Municipal Court's appropriations consist of general fund monies, whereas the City Court's appropriations consist of funds from the general fund as well as the traffic court operations fund.

Court Consolidation Initiative

In 2002, the mayor of the City of Atlanta created the Mayor's Municipal and City Court Review Panel (Panel), charged with advising the mayor "on the court system of the City of Atlanta and whether the current system could be revised in light of the goals of efficiency, avoidance of duplication, focus on essential services and cost savings to the taxpayers," and to provide "recommendations regarding potential changes to the court system." The primary recommendation made by the Panel in its February 2003 report was that the operations of the Municipal Court be consolidated into the operations of the City Court. The Panel also recommended that a performance audit of the existing courts be conducted to assess the staffing and facilities needed for the consolidated court, once established.

In June 2003, the City of Atlanta enlisted the pro bono services of the Boston Consulting Group (BCG) and directed them to use the Panel's recommendations as a starting point. They were to assist in analyzing merger options, developing core process designs, and crafting an implementation plan for the city's court system based on an assessment of cost and service implications. The BCG released a report in September 2003. Their recommendations, which called for staffing reductions over a three-year period, were aimed at increasing efficiency and realizing annual cost savings.

The BCG estimated that the city could save \$7.1 million annually by 2006 by consolidating the administrative operations currently run independently by the City and Municipal Courts. The cost savings were based on optimizing the operations of both courts, combining operations into one building, improving information technology systems, and combining the Solicitors' and Public Defenders' locations. BCG estimated the initial information technology investment at \$3.2 million over a two-year period. In part as a result of the BCG's recommendations, staff have been reduced at both courts.

During the 2004 regular session of the General Assembly of Georgia, legislation was passed that will abolish the City Court effective January 1, 2005, and all cases pending in that court will be transferred to the Municipal Court. Cases over which the new Municipal Court does not have jurisdiction will be transferred to the appropriate court. According to the legislation, judges of the City Court will have the option to become Municipal Court judges

until their terms expire. Until consolidation, each court has eight judges and one chief judge.

The new legislation provides that the consolidated Municipal Court will have jurisdiction over cases involving "all city ordinances, and such other violations as provided by law." This would include traffic violations. The court will have the authority to assess fines up to \$1,000 or sentence defendants to imprisonment for up to six months.

In January 2004, the City Court moved into a newly constructed building at 150 Garnett Street in downtown Atlanta. It was expected that the Municipal Court would eventually occupy the same building, pending the passage of legislation required to reconfigure the current structure of the City and Municipal Courts. When our audit work was completed, only the Municipal Court City Solicitor's Office had moved into the new building.

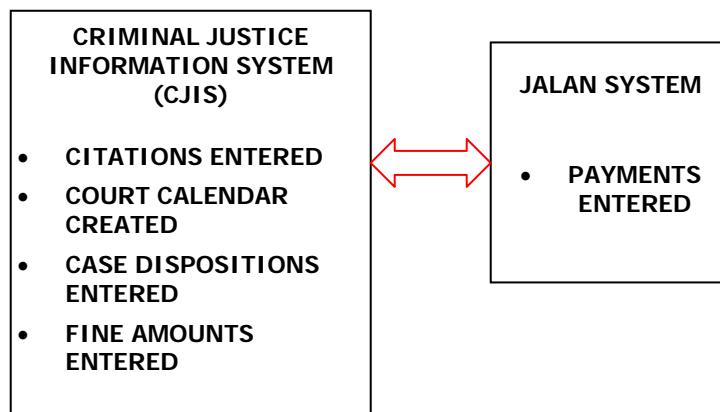
The number of budgeted positions at both courts has decreased from 504 in June 2003 to 407 in June 2004.

Court Information Systems

The Municipal and City Courts use different information systems to manage their caseloads and collected revenues. Both courts use the Criminal Justice Information System (CJIS) in some capacity. CJIS is a computer network operated by the Georgia Crime Information Center that provides local and state criminal justice agencies with access to a variety of identification and criminal history information. Various databases make up the system, which includes such data as criminal history records, fingerprint images, and stolen property and warrant information. However, the courts use different computer systems to perform their accounting and payment posting functions as described in the following sections.

As shown in Exhibit 2 below, the Municipal Court uses two information systems: (1) CJIS and (2) the Jalan information system (Jalan). The court enters citations in CJIS to produce the court calendar. Jalan is connected to CJIS through the city's mainframe, and the court uses Jalan to enter and track payments on citations.

EXHIBIT 2
MUNICIPAL COURT
INFORMATION SYSTEMS

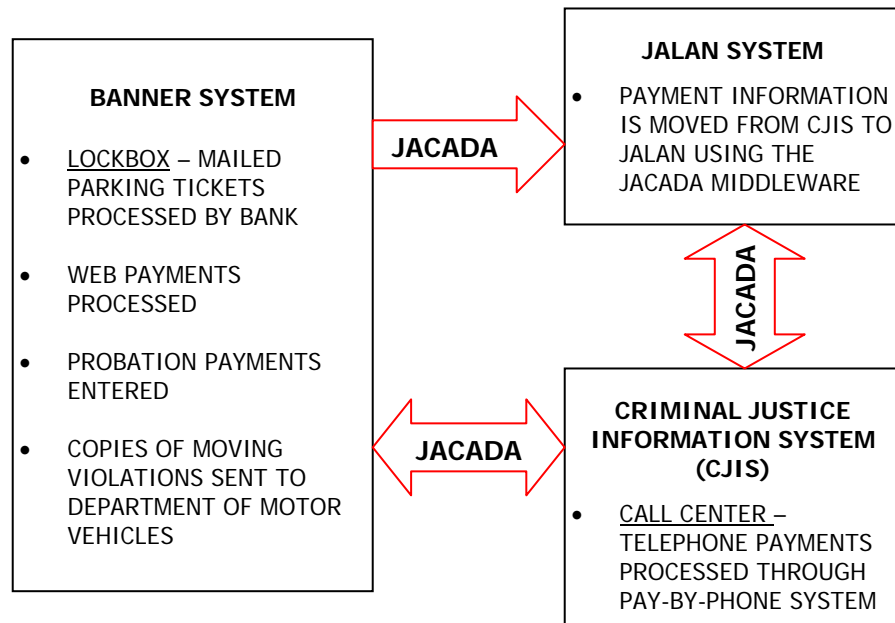


Source: Audit interviews, observation, and review of documents.

The City Court implemented a new case management system in August 2002, called the SCT/ACS Case Management System (Banner), transitioning from its older systems—CJIS and Jalan. Prior to implementation of Banner, Jalan was the court's primary accounting software, but had limitations. According to court information technology (IT) staff, the reason for implementing the Banner system was to enable staff to perform accounting functions and accept web-based payments, with the final goal of creating a paperless court environment. CJIS could not perform these functions and Jalan was not updated. Data from CJIS was extracted and moved to Banner for the original data conversion.

Although the court implemented Banner, it continues to use the older systems to carry out the court's primary case management functions, as shown in Exhibit 3 below. As depicted, CJIS and Jalan are interfaced, and CJIS is also interfaced with Banner.

**EXHIBIT 3
CITY COURT
PRIMARY INFORMATION SYSTEMS**



Source: Audit interviews, observation, and review of documents.

Exhibit 3 illustrates how data is moved back and forth on a daily basis between Banner and CJIS using a server called Jacada. When payments are made in Banner, Jacada is also used to send the data back to the Jalan system. According to IT staff, CJIS is being used to support Banner and to allow law enforcement personnel to have access to offender and vehicle information which is not accessible to them through Banner.

At the time the City Court implemented Banner, it was a “bare bones” system that needed additional modifications and interfaces to perform the operations required for the court to move toward a paperless system. The court planned for Banner to be interfaced with a number of other applications and systems in addition to the CJIS interface. However, some of these applications and systems were never implemented or have become inoperative since their initial implementation. The current operational status of some of these systems and applications will be discussed in more detail in the findings that follow.

Since 2000, the City Court has used a private company, TDC Systems Integration, Inc. (TDC) for information technology support. TDC's activities have included maintaining the court's web page, installing the Banner system, and maintaining the interfaces between Banner and other information systems. From 2000 through May 2004, the court paid TDC \$6.7 million, which included \$3.2 million for consulting services.

Findings and Analysis

Summary

During 2003, the City and Municipal Courts collected a combined total of \$19.6 million in revenues. The impending consolidation of the two courts increases the need for the consolidated court to have strong controls, effective policies and procedures, and adequate information systems to protect the monetary receipts. Our audit objectives to address these areas are listed below, followed by a summary of our major findings and recommendations.

Are controls sufficient to ensure that revenues are collected accurately and completely and deposited into the city treasury in a timely manner?

Control weaknesses at the City Court are so extensive that the court cannot ensure revenues are collected and reported accurately, completely, and promptly transferred to the city treasury. Several control weaknesses need to be addressed at the Municipal Court also, but generally it has sufficient controls to assure accurate and complete revenue collections and reporting and has transferred revenues promptly to the city treasury.

The City Court's inability to deposit revenues into the city treasury in a timely manner is primarily the result of an unreliable and inadequate financial information system, and the court's management of bank accounts that were set up without authorization and outside the control of the Department of Finance. These delays in transferring revenues to the city have resulted in lost interest earnings and noncompliance with state requirements for submission of earmarked fees and fines to the appropriate state agencies.

We recommended that the City Court close all bank accounts and turn them over to the Department of Finance. The court is working to carry out the transfer.

Are adequate policies and procedures in place pertaining to revenue collections? Are the courts adhering to these procedures?

The Municipal Court had policies, procedures, and internal controls for its cashiering and accounting functions that were adequate to safeguard the collected revenues; however, the City Court did not. The City Court was not performing basic accounting functions, such as daily reconciliation of cashier tills. It also had internal control weaknesses in other practices, including paying law enforcement officers in cash for their court appearances, insufficient segregation of duties, and a practice of cashing checks for court employees. Further, the City Court had imposed a \$40 warrant fee for probation violators for which the city's Department of Law determined there was no legal basis, and the court authorized one of its contractors to pay another contractor \$600,000 out of the collected probation fees. These practices circumvented the city's procurement and accounts payable policies, as well as generally accepted financial management practices.

When court operations are consolidated, written policies and procedures should be developed for all cashiering and accounting functions and staff should be appropriately trained on the implementation of those policies. The court should also review its current procedures and practices to ensure they are consistent with city policies. Also, the physical security within the new City Court building should be expanded to provide surveillance cameras in the cashier areas, and the cash management room should be relocated to a more secure area.

Are the standard information system controls in place, including controls regarding system reliability, access, efficiency, and security?

Information systems at both the City and Municipal Courts need additional system controls and support to properly safeguard the collected revenues, provide for more efficient and effective cash collections processes, and provide for continued operation if the current systems are down. Our recommendations in this area include better password access controls, use of system audit trails, and a back-up method for allocating and reporting revenues in case of system failure.

The consolidated court should consider the cost effectiveness of upgrading the current system versus implementing a new system to provide the needed capabilities for improving financial management and increasing operational effectiveness. In the meantime, our recommended system controls should be installed where possible to provide greater controls over revenues and financial reporting.

Separate Bank Accounts and System Problems Have Delayed Reporting and Transfer of City Court Revenues

The City Court has held collected fine revenue for over two weeks on average before sending it to the city treasury. Delays in the transfer of funds cost the city lost revenues because no interest is earned on the funds. Also, the city may not be in compliance with its legal requirements to distribute the funds to the designated accounts within a specified time period.

The City Court is responsible for collecting a number of fines and fees mandated by state and local laws, as shown in Appendix 1. The court is required to transfer the collected monies to the city to be properly recorded and distributed according to legal requirements. It is essential for the City Court to transfer the funds promptly into the city's account to comply with these legal requirements.

We have identified two primary reasons the City Court has had difficulty making prompt and accurate transfers to the city's bank account:

- The City Court maintains a large number of bank accounts outside the supervision of the city's Department of Finance that are not being properly managed.
- The court's information system, a critical component in the process, is not functioning adequately to provide the information necessary to allow the court to transfer the funds to the city with accurate and timely reporting.

We did not identify any problems with the Municipal Court's ability to promptly transfer collected revenues to the city. The court has no separate bank accounts, and the court staff should be

commended for ensuring that the proper accounting controls are in place. Also, the court conducts daily reconciliation of the collected revenues and the deposits are made daily to the city's Bureau of Treasury.

Unauthorized City Court Bank Accounts Make Control and Transfer of Funds More Complex

The City Court paid \$32,319 in bank fees and service charges in 2003

In March 2002, the City Court set up a number of bank accounts outside the control of the Department of Finance. The accounts were established to provide a more secure means for depositing funds. However, they do not earn interest, and they incur significant fees and service charges, including \$32,319 in bank charges in 2003. The accounts also reduce accountability for revenues and contribute to the delay in reporting and transfer of funds to the city.

Based on information provided by court staff, we identified 11 bank accounts opened by City Court staff at three different banks. These accounts are summarized in Exhibit 4 below.

EXHIBIT 4 SUMMARY OF CITY COURT BANK ACCOUNTS

Account Name	Balance
Traffic Fines and Fees	\$937,557
Probation	\$ 0
Jury & Witness	\$ 0
Bond Remissions	\$ 0
Cash Bonds	\$ 0
Nonsufficient Funds Collections	\$ 0
Bond Forfeitures	\$ 0
Operating Cash Fund	\$ 0
Petty Cash Fund	\$ 31,200
Jury Management	\$ 22,143
Clerk of the Court	\$ 692

Note: The accounts highlighted in yellow are Zero-Based Accounts (ZBA) where traffic fines and fees is the master account and those remaining are sub-accounts. All the transactions posted to the sub-accounts are transferred to the master account. Funds in the Traffic Fines and Fees account are remitted to the city.

SOURCE: City Court's December 2003 Bank Statements

The city's cash handling policy prohibits the use of checking or other bank accounts other than those approved by the City of Atlanta. In addition to the accounts being opened without prior authorization from the Department of Finance, there are several significant problems with the manner in which the City Court is handling the accounts, which justifies the closure of the accounts.

City Court Routinely Holds Collected Revenues More Than Two Weeks Before Transferring Funds to Department of Finance

The City Court has taken more than three months to wire some revenues to the city

Once the City Court collects its revenues, it takes an average of 16 days for the monies to be deposited into the city's bank account. A review of the court's bank statements and allocation reports shows that it has taken as long as 109 days to wire some monies to the city.

The City Court also did not reconcile the traffic fines and fees bank account, which holds court revenues. Consequently, when revenues were transferred to the city, there was no assurance that the allocations

The City Court did not reconcile the bank account that holds court revenues

were complete or accurate because the court did not reconcile the amount remitted to the amount deposited in the account.

The court's failure to reconcile the account invites abuse because it clouds the issue of who may be accountable for errors, and may also make it difficult to detect fraudulent activity, such as theft or misappropriation. Timely and accurate bank reconciliation is an essential element for good internal control and management of the city's resources.

Legal requirements make the prompt transfer of funds to the city critical. State and local laws mandate that additional fees be added or subtracted from certain criminal or quasi-criminal fines to support a particular state or local program or fund. The courts are responsible for correctly assessing these fees and for

providing the city with a summary of how collected monies are to be distributed to each of the mandated funds or programs.

For example, an additional 10 percent fine is added to driving under the influence (DUI) fine amounts to fund the Brain and Spinal Injury Trust Fund (BSITF). According to state law, the collected fines are to be paid to the BSITF Commission by the last day of the month following the month in which they are collected, to be deposited into the BSITF. The remittance deadlines for other fees collected by the City and Municipal Courts are shown in Appendix 1.

The City Court uses Banner to produce allocation reports of how the collected funds are to be distributed; the funds are then wired to the city. There is usually a lag time of one week to wire the funds. In December 2003, Banner crashed, which caused significant delays in the revenue transfers to the city. Because of the system crash, it took the court as long as 109 days to transfer funds collected in the latter half of December.

Delays by the court in transferring funds result in lost revenue to the city because, in contrast to the city's accounts, the court's bank accounts do not earn interest. In addition, these delays may also mask the detection of theft if it occurs. This risk is increased by the fact that the court's bank accounts are not being reconciled to revenue receipts.

According to the city's cash handling policies, strong internal controls for cash collection are necessary to prevent the misappropriation of the city's funds. All city cash collection points must adhere to certain procedures, which include the depositing of cash *promptly* into the city's authorized bank account.

Bank Accounts Were Used to Pay for Unauthorized Expenditures

In addition to complicating financial reporting and hampering the city's compliance with distributing collected revenues, the City Court's bank accounts have been used to pay for unauthorized expenditures. These expenditures violated the city's finance policies.

Direct Debiting by Vendors. In 2003, credit card and check processing service companies were allowed to debit the City

Court's bank accounts directly for \$157,086 in charges, which is a significant control risk. Because these fees are taken directly from the court's revenues, they have not been properly budgeted or accounted for as an expense. Also, the court's policy of paying the vendors by direct debit violates the city's accounts payable net 30 policy, which provides that vendors must wait 30 days for payment.

Furthermore, the court paid \$7,260 in fees for services that it did not receive. The court is being billed for a service that allows individuals to pay by check over the phone or online. According to court staff, this service has never been implemented. The bank account that is debited for these services is an old City Court account maintained by the Department of Finance. The court previously used this account before it opened its own bank accounts. City Court staff were unaware that this account was still open and that it was still being debited by vendors.

The City Court should ensure that there is a qualified employee available to properly negotiate the merchant fees, which should then be passed on to the customer. Additionally, the merchants should be required to bill the court with an invoice that the court can review before paying. The court staff should also review the invoices to ensure that the court was not overcharged for merchant fees and that the court is receiving the services for which they are being billed.

Improper Discretionary Account Expenditures. From January 2000 through December 2003, the City Court used its "petty cash fund" bank account to pay for \$93,419 in questionable expenditures.

**City Court's
discretionary
account was used
for parties, gifts,
food, and flowers**

The expenditures also consisted of numerous single purchases that exceeded \$50. This account was used in direct violation of the city's petty cash policy. In 2003, for instance, the court used this account to spend \$1,712 on

flowers, \$1,405 on supplies, \$1,137 on luncheons, and \$1,116 on postage stamps. The city's petty cash policy strictly prohibits the purchase of these items with petty cash funds. The policy also prohibits the use of petty cash funds for purchases exceeding \$50.

Transfer of Bank Accounts is Underway

The City Court has been working with the Department of Finance to close its accounts and deposit its revenues into the city's authorized bank account beginning in August 2004. The court staff are also in the process of discontinuing the direct debiting of the accounts by vendors. In the future, vendors will be paid through the city's Accounts Payable Division upon the receipt of invoices.

City Court's Information System Has Had Longstanding Problems

The Municipal Court uses Jalan and the City Court uses Banner to allocate collected revenues for proper distribution of funds transferred to the city. Banner was down partially or completely for over four months in December 2003 and early 2004. During this period, the City Court could not enter all of the collected payments into Banner. Consequently, with Banner down and no back-up system, the City Court could not perform the needed allocations. Without the allocation reports to identify the proper fund distribution, the monies could not be transferred to the city and were kept in the court's noninterest bearing bank accounts.

The City Court has had a number of problems with the implementation of Banner, including the system crash in December 2003 due to a power outage. The system did not become fully functional again until April 2004. In the interim, court staff stated that offender information was entered into CJIS and moved to Banner when system functionality was restored.

If Banner or Jalan become inoperative, the courts do not have a system to calculate how the funds should be allocated, which can cause delays in the transfer of revenues to the city. These delays cost the city lost interest earnings and make it difficult to detect theft, since the monies are collected but not transferred to the city for an extended period of time.

**\$1.4 million was
not remitted to
the city because
of system
problems**

We found that the amount transferred to the city by the court for collections made during the period when Banner was down (from December 10, 2003, through April 16, 2004) was approximately \$1.4 million less

than the amount collected by the court. The funds are in the City Court's bank account and must be properly allocated before they can be sent to the city.

According to the National Institute of Standards and Technology (NIST), an organization should identify the resources that support critical functions, and develop a business continuity plan to keep critical functions operating in the event of disruptions. The plan should be periodically tested and revised. When the City and Municipal Courts merge operations and a new information system is in place, a business continuity plan should be developed to allow for the continued payment posting, allocation, and transfer of funds to the city in the event of a system failure.

**Need for
backup
revenue
allocation
system is
critical**

Information Systems in Both Courts Lack Basic Controls and Functions

Information system internal controls at both courts and system efficiency at the City Court should be improved; all available system controls and capabilities have not been fully implemented to ensure that revenues are properly safeguarded against loss or misuse. Some of the following recommended modifications to the systems could be made at minimal or no cost to the courts; other recommendations may require a more substantial outlay of funds. Where possible, the courts should implement the less expensive recommended controls immediately, and ensure that the more costly controls are incorporated into any future information systems used by the consolidated court.

Neither Court Uses System Audit Trails for Routine Monitoring

Neither Jalan nor Banner produces an audit trail that is accessible by the court staff. An audit trail is a chronological record of system resource usage. According to *Generally Accepted Principles and Practices for Securing Information Technology Systems* developed by NIST, audit trails maintain a record of system activity that provides a means to help accomplish a

number of security-related objectives. These include providing a trace of user actions; supporting investigations of how, when, and why normal operations ceased; assisting in intrusion detection; and identifying other problems.

Although Banner is capable of producing an audit trail, that capability has not been activated. According to Municipal Court staff, Jalan is able to produce an audit trail, but that information is not accessible to the court staff. Without an audit trail of transactions, it is not possible to trace user actions, reconstruct events, or detect intrusion into the system. Therefore, problems cannot be detected as they occur. For example, Municipal Court cashiers can delete transactions from Jalan and there will be no record showing that a transaction has been deleted. Without adequate recording of transactions, there is a risk that a cashier can accept payment, delete the record, pocket the payment, and the cash drawer would still balance.

The City Court should enable the audit trail capability in Banner; the Municipal Court should develop an audit trail that is easily accessible to designated court staff. The log of activity produced by the audit trail should be reviewed periodically to detect inappropriate system activity or intrusions. Additionally, to reduce the risk of theft or misappropriation, Municipal Court should not allow cashiers the ability to delete records without supervisory approval.

Furthermore, when the proposed consolidation occurs and a new information system is in place for the consolidated Municipal Court, that system should be designed to produce an audit trail that provides sufficient information to establish what events occurred and who (or what) caused them. Defining the scope and contents of the audit trail should be done carefully to balance security needs with possible performance, privacy, or other costs. The audit trail should record the type of event, when and on which computer the event occurred, the user ID associated with the event, and the program or command used to initiate the event. Additionally, audit trails should be reviewed periodically and access to the audit trail should be strictly controlled.

City Court's Information Systems Are Not Fully Integrated

City Court customers are currently able to pay for traffic and parking fines over the telephone by using the pay-by-phone

system. However, the pay-by-phone system does not directly interface with Banner. When a payment is made using the system, it is recorded in CJIS and printed in a transaction log. The log lists each payment and includes the defendant's name, date of birth, transaction date, citation number, payment amount, encrypted credit card number, and an authorization code. Each payment then has to be manually entered into Banner by Call Center staff.

The lack of an interface between Banner and the pay-by-phone system decreases the efficiency of the City Court's Call Center staff. The court should consider the feasibility of upgrading the current system to post the pay-by-phone collections directly to Banner to allow for greater efficiency of the Call Center operations. In addition to improving efficiency, a completely automated system would provide greater controls over the payments by eliminating the potential for error with manual payment entries.

According to information provided by the Call Center staff, a total of \$654,196 was processed in 2002 and approximately \$416,078² was processed during 2003 through the pay-by-phone system. The pay-by-phone system has the advantage of allowing the court to accept payments during nonbusiness hours. However, it has not decreased the workload of the Call Center staff because the payments still have to be manually entered into Banner. If the pay-by-phone system were interfaced with Banner, payments could be automatically posted to Banner, thereby reducing the workload of the Call Center staff and the potential for errors.

When the court first implemented Banner, it planned to set up the pay-by-phone system to directly interface with Banner. According to the court's IT staff, it would be possible to set up a direct interface with Banner at an approximate cost of \$40,000 to \$50,000 to upgrade the system. The court should consider upgrading the current system to post the pay-by-phone payments directly to Banner. Alternatively, if Banner is replaced when the courts consolidate operations, the court should ensure that the new system has the capability to capture telephone payments and post the payments directly to the system's database without

² Complete figures are not available for the month of December because Banner was inoperative and Call Center staff were unable to post payments to the system.

requiring additional staff time. The system should be fully integrated to eliminate errors and to increase productivity.

Both Courts Should Establish Secure Password and Access Controls

Written policies and procedures are needed at both courts for basic information system controls. The courts do not have the standard controls in place to ensure system security. These controls can be put in place immediately with minimal cost to the courts.

Unchanging passwords and lack of system timeouts. Passwords to the Municipal Court's Jalan system are not encrypted³ after they are entered. Passwords to the Jalan and Banner systems are not required to be changed, do not have to contain special characters, and do not have to be of a minimum length. Furthermore, neither of the systems initiates a system timeout when someone is logged on without interacting with the system for an extended period of time. Banner is capable of initiating a system timeout, but that function is currently disabled. As a result of these issues, the security of the computer systems is compromised.

User IDs and passwords prevent unauthorized people from entering an IT system and establish user accountability by identifying (user ID) and authenticating (password) the user. Identification and authentication is a critical building block of computer security. It is the basis of most types of access control. According to the NIST standards, secure passwords should contain a minimum length of six characters, include special characters, be unrelated to the user ID, be changed periodically, and should not be easily guessed.

The City and Municipal Courts should implement a policy that requires passwords to be changed periodically (every 30 to 45 days) and follows the NIST standards. Furthermore, the policy should instruct staff not to divulge their passwords, and not to store their passwords where others can find them. System timeouts should be enabled as a further safety precaution. This policy should be continued if a new computer system is developed for the consolidated courts.

³ Encryption puts data into a secret code so it is unreadable except by authorized users.

System access not updated. At the City Court, there is no written policy for changing and/or updating access to Banner. As a result, some employees have inappropriate or unauthorized access to the system. The court should develop policies and procedures for making adjustments to employee access to the system and coordinate with the Human Resources staff to share information relevant to position changes and terminations. Employee access should be disabled immediately upon termination and modified subsequent to a position change. Employees should have access only to the system resources they need to perform their specific job duties.

Some terminated employees have access to the Banner system.

We found that some employees who had moved from one functional area to another in the court, still have access to certain forms in the system related to their previous position. We also found that access to the system has not been terminated for a number of persons who are no

longer employed with the court. Some of these former employee terminations date back to 2001.

According to the NIST standards, organizations should carefully administer access control. This includes implementing, monitoring, testing, and terminating user access on the system. Access control should be based on the principle of "least privilege," which means that users should be granted access only to the resources they need to perform their official functions.

The court's weak access controls are not unique in city government. Ernst & Young, the city's external auditor, made recommendations in a 2002 financial audit regarding access to other computer systems within the city. Ernst & Young recommended that terminated employees be removed from computer systems immediately after termination, which eliminates the risk of disgruntled employees obtaining access to the system and altering sensitive information or changing system settings. Ernst & Young further recommended that formal procedures be developed for Human Resources (HR) to regularly provide Information Systems personnel responsible for system administration with a listing of all personnel terminations and job transfers. Information Systems personnel should institute

procedures to review current user profiles and compare the listing to the list provided by HR to ensure profiles are current.

The City Court should perform a review of all computer systems and applications to ensure that users have access to the appropriate specific system or application as required by their job functions. The court should also ensure that terminated employees do not have access to the system. Also, when employees move to other positions, the court staff should review their system access to determine whether adjustments should be made.

Fully Displayed Credit Card Numbers Pose A Security Risk

When credit and debit cards are processed at the City and Municipal Courts, the receipts display the full credit card numbers and expiration dates. There may be a potential liability for the courts and the city if these credit card numbers are copied and used for unauthorized purposes. The courts should work with the credit card processing companies to reconfigure the credit card system to improve security.

The courts should take steps to ensure that all sensitive credit card information is protected. According to City Court personnel, the credit card company would have to provide capability to conceal the credit card information and prevent it from being displayed on the receipt; and the court's card-processing machines would have to be programmed (either by telephone or with a software patch) to provide receipts that do not display the full credit card number. If new vendors are used for these services once the City and Municipal Courts merge operations, the court administrator should ensure that this capability is provided by the new company(ies).

Controls Over Cash Need Many Improvements, Especially in City Court

The courts' internal controls should consist of procedures, methods, and measures adopted to safeguard assets, to ensure the accuracy and reliability of accounting data, and to protect the integrity of the receipt and distribution of court-collected funds. The internal controls at the Municipal Court are for the most part

adequate. However, significant improvements are needed in internal controls at City Court. Specifically, the following areas need immediate attention:

- The cashiers' tills need to be reconciled daily. Without a proper daily reconciliation, the court cannot adequately detect theft, fraud, or misappropriation of funds.
- Cash collection policies and procedures need to be implemented and the court should ensure that all staff receive the appropriate training to properly execute the procedures. Staff should be properly supervised and monitored to ensure the implemented policies are followed.
- Court security needs improvement. Security cameras need to be placed in the cashier areas, and the cash management area should be moved to a more secure location.

Municipal Court conducts a daily reconciliation of collected revenues and has other proper accounting controls in place.

Physical Security in New Building Has Weaknesses

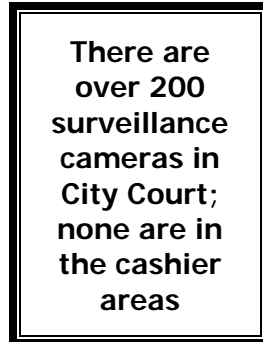
The security measures at the new City Court building are not adequate to ensure the protection of the court's collected revenues. As previously mentioned, the City Court collected over \$18 million in revenues during 2003. A large amount of cash is collected at the court's cashier windows, both from walk-up customers, as well as from defendants coming from the courtrooms after case disposition. It is important that these areas be secured to protect both the court staff and the revenues.

During our review, we identified two security issues at the new court building that could pose significant security risks. The City Court should consider implementing additional safeguards in order to resolve these security issues.

Additional surveillance cameras and less exposed location would reduce risk. There are no surveillance cameras located in the cashier areas or the cash management room at the new City Court building. The cash management room on the ground floor of the court building has large windows and faces the street. Prior to moving to the new court building, security cameras were located in the cashier areas. Cameras are also located in the

cashier area at the Municipal Court. According to the court's security personnel, there are approximately 234 cameras located throughout the new City Court building. However, there are no immediate plans to place surveillance cameras in the cashier areas or cash management room.

According to a security review of the City Court building conducted by a Federal Reserve Bank Police Chief, individual



cameras should be placed on each teller from behind with a view that allows the teller, their money drawer, and the customer to be in view at all times. The review also recommended that the cash management area be moved or the outside view of the area be blocked. It poses a major security risk because the room has a large window that faces the street.

City Court staff should place security cameras in all of the cashier areas and in the cash management room. The cash management room should be moved to a more protected area of the building. This would help to ensure the security of the collected revenues, as well as the physical security of the Court staff.

City Court Supervision and Monitoring Practices Have Been Lax

The City Court should increase the supervision and training of the cashier staff. The City Court does not have written policies to govern its cash collection activities, which may result in a lack of consistency and accuracy of these functions. Also, daily reconciliations are not done for the cashiers' tills, which make it difficult to establish accountability for mistakes and properly resolve errors. Additionally, surprise cash counts are not done at the court, which would help to properly monitor the accuracy of the revenues collected. Lastly, annual background checks should be done on all employees handling cash to provide further controls over the revenue collecting activities.

Lack of policies and procedures. With the exception of the Call Center and the Data Entry Division, the City Court does not have written policies and procedures for its revenue collection activities. When the courts are consolidated, the court should establish

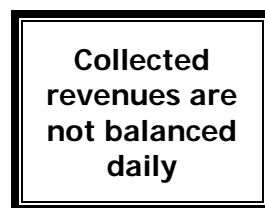
policies and procedures to govern all cash collection activities to ensure uniformity and decrease the risk of the loss or misuse of city funds.

Written policies and procedures are essential to ensure that operations are conducted properly and consistently, and to provide a tool for training purposes. They also help to ensure that activities are conducted in compliance with laws, ordinances, and other guidelines. The City Court should develop written policies and procedures that:

- provide specific instructions and guidance for performing every aspect of the daily cash handling processes,
- include appropriate authoritative and legislative guidance where applicable, and
- are updated periodically to incorporate changes in legislation and automation.

The court should also ensure that all staff receive the appropriate training to properly implement the written policies and procedures.

No reconciliation of cashiers' tills. Although the City Court has taken steps to secure the monies collected by acquiring CompuSafe machines, additional steps should be taken to ensure that the amounts recorded are accurate. There is no



reconciliation of the monies collected to the amount placed in the CompuSafe or the cash drawer. A lack of reconciliation makes it difficult to detect errors or theft and invites abuse since it clouds the issue of who is accountable for errors. City Court staff should perform daily reconciliations of the cashiers' tills to ensure that all funds reported as collected are accounted for prior to the cashiers' release.

The city's Bureau of Treasury policies require that all funds collected must be balanced daily by mode of payment and by comparing the total of the cash, checks, and credit cards to the cash register totals, to the stub receipts totals, and to the totals of the money received by mail.

The Traffic Court cashiers put all of their cash into CompuSafe units, which are electronic safes that read and validate bills and drop them into secure cassettes. The cassettes are picked up by Brink's armored car service, and the court staff print receipts that show the amount dropped into the safe.

Each of the cashiers' tills should be reconciled at the end of each day by a trained supervisor. The CompuSafe receipts (prior to and after Brink's pickup) should be reviewed and the dollar amounts of each payment type (checks, money orders, etc.) should be reconciled to what is recorded in Banner as collected for the day. The reconciliations should be done prior to the cashiers' release at the end of the day so that any discrepancies can be resolved.

No surprise cash counts. The City Court does not conduct surprise cash counts. The City Court staff believe that since cash is deposited into the CompuSafe machines, there is no need to conduct surprise cash counts. However, no reconciliation is done to reconcile the cash collected against the cash placed in the CompuSafe. A surprise cash count would still be of value to reconcile cash in the drawer and placed in the CompuSafe versus cash collected.

At the time of the audit, the last surprise cash count done by Municipal Court was in March 2003. Although the Municipal Court does perform surprise cash counts, it should do them more often for the counts to be effective. Surprise cash counts will help determine if there are any cash shortages. If done regularly, surprise cash counts help deter "borrowing" or misappropriation of cash.

Background checks not done for some staff. Background checks should be done initially on staff when they are moved into a position that has access to revenues or processes payments, and each year thereafter. City Court does not conduct annual background checks. As a result, there are 11 employees who process payments that have not had a background check in the last four years. The Municipal Court has criminal background checks performed on their cashiers each year by the Atlanta Police Department. The City Court should implement this policy.

A sound policy to follow by both courts would be the mayor's Administrative Order 2002-6, which requires employees in the Department of Finance to undergo a background investigation that includes a criminal records check, credit history, and driving records check. A thorough check should be conducted at initial employment and a criminal background check each year thereafter.

The City Court should conduct background checks on all employees who handle cash or process payments and should conduct annual follow-up checks on these employees.

Several Cash Collection Activities Weaken Control Environment

Certain practices at both the City and the Municipal Courts regarding cash collections decrease the courts' controls over the collected revenues. After a review of cashiering practices at both courts, we identified the following issues:

- City Court cashiers enter the fine amounts as well as post the payments to customer accounts,
- checks payable to employees are cashed by the cashiers at the City Court,
- law enforcement officers are paid in cash for court appearances at City Court,
- Municipal Court cashiers keep their change funds in the safe instead of in the cash drawers, and
- neither court verifies that mailed payments are posted to customer accounts.

These issues are described in detail in the findings that follow. The courts should implement the following recommendations to reduce the risk of loss of the courts' revenues.

Incompatible duties for posting payments should be separated at the City Court. The City Court's cashiers and Call Center operators enter the base fine amount in Banner for payments. Any amount can be entered as long as it is a valid amount on the base fine schedule and is limited to the number of allowable

spaces in the payment entry field. Allowing a cashier to post the payment into Banner and also accept the payment is a violation of the segregation of duties principle. If feasible, the City Court should have an employee other than the cashier enter the fine amount into Banner to reduce this risk.

Segregation of incompatible duties is a basic management policy for internal control of money handling. It is the division of critical functions among employees to clearly identify responsibility and reduce the opportunity for theft or misuse of funds. Segregation of duties is generally accepted as an essential part of internal control procedures and practices. It reduces the risk of loss through errors or improper activity by providing independent verification of transactions and custody of related assets.

At the Municipal Court, a calendar clerk enters the fine amount into the computer system prior to the cashier taking payment for the fine. The City Court should consider using a similar method, or have staff in the Data Entry Division enter the anticipated fine amount when the tickets are first received from the issuing officers. When the disposition is entered for the case, this fine amount can be modified if necessary.

Protection of sensitive information needed at City Court. In the City Court's Call Center, operators take credit card information over the telephone and submit it to the Call Center Supervisor to enter payments into Banner. Once the payment is processed, the center's policy is to shred the credit card information. However, there may be a potential liability for the court and the city if these credit card numbers are copied and used for unauthorized purposes. The prudent cash handling practice to protect the customers and the city is to encrypt all sensitive credit card information so it is not accessible to individuals.

The City Court should discontinue the practice of allowing operators to take credit card information. Instead, customers should only be permitted to pay by credit card in person, by using the telephone payment system, or by using the online web service.

Cashiers at both courts should stop cashing checks. City and Municipal Court cashiers cash checks made payable to the judges and, in some cases, checks made payable to employees. These

checks are usually issued by the city and are usually reimbursement for travel or expenses.

The city's Bureau of Treasury policies require that personal funds must not be commingled with cashier's change funds. Internal control standards recommend that change funds should never be used to cash checks. The courts should establish a policy that prohibits cashiers from cashing personal checks from the cash drawer.

City Court's cash payments to law enforcement officers should stop. O.C.G.A. 24-10-27 provides for a per diem for certain law enforcement officers to attend court as a witness on behalf of the state during any hours except the regular duty hours assigned to the officer. According to the statute, the officer may be paid for court attendance *at a fixed rate to be established by the governing authority, but not less than \$20 per diem*, and will receive only one witness fee per day, regardless of the number of subpoenas received that require the officer to appear in court on any one day. The head of the law enforcement unit is to certify that the officer did not receive overtime pay for attendance and that attendance was during off-duty hours.

**Law
enforcement
officers are
paid in cash
for court
appearances**

City Court cashiers pay \$25 in cash to law enforcement officers who have received subpoenas to appear in court, and the payments are not recorded in Banner. The cashiers' change funds or collected revenues are used to make the payment to the officers. No reconciliation is done to balance the cash drawers at the end of the day. From 2000 through 2003 the court paid officers \$246,350 in witness per diem fees. Court officials estimate that Atlanta officers receive about 90 percent of the fee payments; the remainder goes to police officers of other jurisdictions.

According to Atlanta Police Department (APD) staff, Atlanta police officers who appear in court during off-duty hours are paid the \$25 witness fee for the first hour spent in court. Officers receive overtime pay for any additional hours they remain in court.

The witness fee payments and the court's method of making them are problematic for several reasons. The most obvious of these is the use of cash. There is no daily reconciliation to compare the number of officers paid to the amount of cash paid out. The opportunity for cashiers to misuse or misappropriate cash without detection is therefore increased.

In addition, the court has not established controls to assure compliance with legal provisions governing witness fee payments. The court receives no assurance that officers are appearing during off-duty hours before paying them, and does not maintain records to verify that they are paying officers only once daily for multiple appearances.

Paying the witness fees to police officers by check would eliminate the control problems associated with cash payments, but other issues would remain. First, it would still require the court and the city's Accounts Payable Division to establish effective controls to assure compliance with state law and city code provisions governing the payments. Second, it poses potential tax reporting compliance issues for the city with respect to the APD officers who receive the large majority of the payments.

The City Court should discontinue the practice of paying witness fees to Atlanta police officers. Instead, we recommend that the city pay APD officers for the first hour of off-duty appearances in City Court in the same manner that these officers are now paid for the second and subsequent hours. The officers would be paid for this additional hour at either their hourly or overtime rate, whichever is applicable. As a result, the witness fees would be eliminated for APD officers. This would eliminate the potential for tax reporting issues for the city. It would also greatly reduce reliance on a separate administrative process for issuing a large number of checks for small amounts of money.⁴

Officers of other jurisdictions who are eligible to receive witness fees should continue to receive the witness fees, but should be paid by check through the city's Accounts Payable Division. The court and the division should establish reasonable controls over compliance with state and city provisions regarding the fees.

⁴ We did not calculate the net additional expense to the city to pay APD officers for these hours. The amount will depend on the APD pay rates, the number of appearances in city court, and the number of additional hours paid at overtime rates.

Municipal Court cashiers should reduce the number of change funds and keep them in the cash drawer. Municipal Court cashiers keep their change funds in the safe. To make change for a customer, the cashier has to open the safe and withdraw the money, which is done in plain view of the customer.

Also, the court has four change funds but only two cashiers, due to reductions in staff. Having more change funds than cashiers creates an opportunity to borrow funds or to cover for a cash shortage. Opening the safe and removing cash in front of the customers places cashiers at greater risk than keeping the change fund in the cash drawer. The change fund should be kept in the cash drawer with one change fund for each cashier.

Both courts should track the posting of mailed payments. Both courts receive payments in the mail. The Municipal Court does not create a mail log for these payments. The staff at City Court keep a log of the mailed payments, but do not reconcile the mail log to the payments that are actually posted by the cashiers. Furthermore, when checks are received through the mail, the checks are not restrictively endorsed by staff of either court. A detailed mail log should be kept, and reconciliation of the mail log with other accounting records should be performed to ensure that monies were properly credited to the customers' accounts and deposited.

Internal control standards require that a mail listing be created for monies received through the mail. A reconciliation of the mail listings with other receipt accounting records should be performed to ensure that monies are appropriately recorded. Additionally, the mail should be opened with two people present when possible, and all checks must be endorsed with a restrictive endorsement stamp as required by the city's cash handling policies.

Some Court Fee Policies Merit Reexamination, Revision

The Court Administrator should review several questionable fee policies and practices at the City and Municipal Courts. Since September 2000, Professional Probation Services, Inc. (PPS) has, as the City Court's probation contractor and at the court's direction, collected a warrant fee that does not appear to have a

legal basis and has used probation revenue due the court to pay another contractor for services. The City Court also incurs charges for credit card and check processing without passing these fees on to the users. Finally, Municipal Court cashiers accept partial payments from Time-to-Pay Program participants, contrary to program policies.

No legal basis for warrant fee; funds were held by contractor.

Since September 2000, Professional Probation Services, Inc. (PPS), a private vendor that handles the City Court's probated cases, has collected a \$40 fee for each arrest warrant executed on probationers. PPS was instructed by the former City Court Administrator in writing to begin collecting the fee⁵. The city's Department of Law has concluded that there is no legal basis for the court to collect the fee, that it should be stopped, and that defendants who paid the fees should receive refunds.

Although City Court staff stated in writing that PPS was to send the collected warrant fees to the court on a weekly basis, this did not happen. Instead, according to PPS staff, they were instructed by court staff not to remit any of the warrant fee monies because the court was unable to record the warrant fee in Banner. However, court personnel requested that PPS write two checks totaling \$5,496 from the warrant fee revenues to pay for a City Court Christmas party in 2001.

In August 2004, PPS stopped collecting the warrant fee at the direction of court officials. According to court staff, PPS recently remitted \$178,434 to the court, which was then transmitted to the Department of Finance. These funds, which were deposited into the Court Operations Fund, should be segregated until a clear policy is established regarding refunds of fees paid. Based on the Department of Law's opinion regarding the warrant fee, the court would be required to return these monies to the payees, as well as the fee revenue used for the Christmas party and any other warrant fees that have been collected to date.

⁵ Instructions from the City Court provided that a \$40 fee would be paid to the City Court of Atlanta when the defendant was locked up and the fee would be added to the defendant's fine.

**\$600,000 in
collected
probation
fees used to
pay systems
consultant**

\$600,000 payment to systems consultant circumvented all financial safeguards. In October 2001, the City Court directed PPS to write a check to TDC Systems Integration, Inc. (TDC) in the amount of \$600,000. The funds were deducted from the probation fines and fees collected by PPS that

were due the court. By paying with revenues due the City Court, City Court staff circumvented the city's procurement and expenditure controls.

According to the written request from the court directing PPS to remit the \$600,000 to TDC, former court staff stated that *as soon as the payment procedures are finalized with the Purchasing Department, these funds will be returned to the account.* We have found no evidence to indicate that the payment was ever authorized or recorded in the city's financial system.

All applicable probation fines and fees are paid directly to PPS. Currently, PPS remits the collected revenues (minus PPS' monthly supervision fee) to the City Court on a weekly basis along with detailed reports of the payments collected. However, at the time PPS was directed by the court to pay TDC, PPS was holding over \$1 million dollars in revenue due the court. The policy at that time was for PPS to send to the court on a monthly basis only the monies in which balances were paid in full. PPS would remit partial payments on accounts only at the end of the year.

City Court should recoup payment processing costs. The City Court pays fees to several vendors to process credit card payments, verify checks, and accept payments through the Internet. These fees are not passed on to those who use the services to pay their fines.

The Municipal Court charges customers a fee to use debit and credit cards. Debit cards are a flat \$5.50 charge, and the credit card fee varies, depending on the amount processed. Credit card fees range from \$6.50 to \$240. The City Court paid \$157,000 for credit card and check-processing services in 2003 and incurred other costs for maintenance of its web site.

Municipal Court cashiers sometimes disregard the court's payment plan policies. The Municipal Court's Pretrial Services staff

administer a Time-to-Pay Program (TTP) offered to eligible defendants who have been charged a fine by the judge but are unable to pay the full amount at the time of sentencing. A payment plan is set up for these defendants in which they pay a portion of the fine on an installment basis. However, the court cashiers sometimes override the plan by accepting less than the scheduled payment.

Payment plans are developed in concert with the defendant and should not be overridden without approval. The TTP Coordinator interviews the defendant to obtain employment and income information. The coordinator and the defendant negotiate and agree upon payment arrangements based on the defendant's income. The court's TTP policies require the TTP Coordinator to approve smaller payment amounts than those in the payment plan. If the defendant needs to change the payment amounts, a request is made to the judge and if approved, a new payment agreement form is completed.

The courts have already deferred the payment of the fine by allowing the person to pay over time through the TTP program. Court cashiers feel that they must accept whatever payment is offered. However, by accepting less than the scheduled amount, the cashier is allowing the person to defer the payment longer, which circumvents the payment program's policies and may present a control risk.

The Municipal Court should enforce payment plan agreements and require cashiers to adhere to the court's policies regarding underpayments. The Jalan system should be programmed to reject any amount posted at the cashier window that is less than the scheduled payment unless approved beforehand by the TPP Coordinator.

Recommendations

Our recommendations call for improvements that will strengthen the current control environment and introduce more effective management over the collection of revenues in the city courts.

Most of the recommendations can be implemented with minimal cost to the courts. These changes should be made immediately. A few recommendations may be too costly to implement now, but should be incorporated into any new computer system developed for the consolidated court. Several recommendations will require assistance from the city's chief information officer. One recommendation requires the cooperation of the Atlanta Police Department (APD) and the city's chief financial officer for implementation.

City Court should implement these recommendations immediately. The court administrator should ensure that the following recommendations are implemented at the City Court as soon as possible:

1. Discontinue the practice of paying service providers by direct debit. All vendors or service providers should be paid through the city's Accounts Payable Division.
2. Determine if the court is receiving all the bank services for which it is being billed and discontinue paying for services it is not receiving.
3. Relocate the cash management room to a less visible location and place security cameras over cashiers and in the cash management room.
4. Ensure that the \$1.4 million collected from December 2003 through April 2004, but not transferred to the city, is promptly transferred to the city and allocated to the proper funds.
5. Develop written policies and procedures for cash collection activities. The procedures should be as detailed as possible, include the appropriate internal controls, and periodically updated so they remain current.

6. Reconcile cashier tills daily. Each till should be reconciled by a supervisor, including the amount of cash at the start of the day (change fund), the amount collected, and the amount deposited into the CompuSafe. Any differences between the amounts collected and deposited should be investigated upon discovery.
7. Discontinue having cashiers enter fine amounts into Banner. Instead, court clerks or staff in the Data Entry Division should enter fine amounts.
8. Discontinue paying police officers in cash for court appearances. APD officers should be paid through the city's payroll as described in recommendation 23. All other eligible law enforcement officers should be paid by check from the city's Accounts Payable Division as described in recommendation 25.
9. Discontinue the assessment of the \$40 arrest warrant fee. The court administrator should verify the total amount of warrant fees collected, and ensure that PPS remits all collected warrant fees to the court. The monies should be segregated from the court's operating funds until a policy on refunds is established.
10. Ensure that fees charged by vendors for accepting payments over the phone, online, by credit or debit card, or for accepting electronic checks, are passed to the customers.
11. Conduct initial background checks on all employees who have access to revenues or who process payments, and perform subsequent checks each year thereafter.

Municipal Court should implement these recommendations immediately. The court administrator should ensure that the following recommendations are implemented at the Municipal Court as soon as possible:

12. Require cashiers to keep their change funds in their cash drawers, and limit the number of change funds to one per cashier.

13. Prohibit cashiers from collecting less than the scheduled payment without prior approval from the TPP coordinator.

Both Courts should implement these recommendations immediately. The court administrator should ensure that both courts implement the following recommendations as soon as possible:

14. Develop a redundant back-up system that would allow them to continue to allocate court revenues to the proper funds and programs as required by law if their information system becomes inoperative. Once implemented, the back-up system should be tested periodically to ensure that it will perform adequately when needed. The courts should consider contacting the Court Fees Program at the State's Administrative Office of the Courts for assistance in creating a back-up system.
15. Implement a comprehensive password policy regarding the creation, protection, purpose, and use of passwords. Passwords should be checked periodically to ensure that the policy is being followed. To the extent possible, the systems should be configured to initiate system time-outs. Also, when employees are terminated, their system access should be immediately disabled. When employees move to other positions, their system access should be modified appropriately to ensure that they only have the access needed in order to perform their job duties.
16. Activate and review audit trails in the courts' information systems. The audit trail in Banner should be activated, and Jalan should be configured to allow court staff to view and obtain reports of the audit trail. Once the audit trails are enabled, supervisors should review them daily.
17. Configure Jalan to allow court staff access to view deleted transactions. Supervisors should review deleted transactions daily to ensure that they are appropriate.
18. Conduct routine surprise cash counts.
19. Prohibit cashiers from cashing checks for employees or judges.

20. Confirm that mailed payments are logged and reconciled to ensure that all mailed payments are deposited. Checks received through the mail should be restrictively endorsed upon receipt.

City Court should implement the following recommendation once the new information system is in place. Once the city's Department of Information Technology (DIT) determines the information system the courts will use in the new consolidated court, the court administrator should ensure that the following recommendations are implemented:

21. Integrate the pay-by-phone service with the courts' information systems, so that call center operators will no longer have to take credit card information over the phone.
22. Ensure credit and debit card numbers are not displayed in their entirety on printed receipts.

The chief of police and the chief financial officer should implement the following recommendations. The chief of police and the city's chief financial officer should work together to pay officers for court appearances through the city's payroll system instead of issuing direct payments in cash from the City Court. Their respective budgets should be adjusted to reflect the change in expenditures.

23. Atlanta Police Department officers should be paid for all court time through the city's payroll system. The officers should be paid their regular hourly wage or at the overtime rate, depending on the officers' overtime eligibility. Therefore, the \$25 per diem payments for APD officers would be eliminated.
24. The chief financial officer should adjust the recommended budgets for 2005 for the city court and the APD to reflect the reduction in witness fee expenditures from the court operations fund and the increase in police salary expenditures from the general fund.
25. The chief financial officer and court administrator should continue to pay the \$25 witness fees to off-duty officers of other jurisdictions who appear in city court. However, they should establish a process to pay those officers by check from the city's Accounts Payable Division. The process should

include controls over compliance with state law governing the payments.

Appendices

**APPENDIX 1
DISTRIBUTION OF COLLECTED REVENUES
CITY COURT AND MUNICIPAL COURT**

COURT COLLECTING FEE					
Fund	Description	City Court	Municipal Court	Recipient	Remittance Deadline
BSITF	Brain and Spinal Injury Trust Fund	X		BSIT Commission to be deposited into the BSIT Fund	Paid to the Commission by the last day of the month following the collection month
CIVW	City Victim Witness	X	X	Deposited to city treasury: 1/3 to City Court's victim and witness assistance programs (VWAP) and 2/3 to Municipal Court's VWAP	No specific timeframe
LVAP	Local Victim Assistance Program	X	X	Victim assistance program or local district attorney	By the last day of the month following collection month
State General Fund	Probation Fee in DUI Offenses	X		State General Fund	By the 10th day of the month following the collection month
CVEF	Crime Victims Emergency Fund	X		CVEF Board to be deposited into the CVEF	To the CVEF Board by the last day of the month following collection month
JAIL	City Jail Fund	X	X	City Jail Fund	By the 10 th day of the month following collection month
POABF	Peace Officers' Annuity and Benefit Fund	X	X	Peace Officers' Annuity and Benefit Fund	1 st day of the month following collection or time that board provides
POPTF	Peace Officer and Prosecutor Training Fund	X	X	State General Treasury	By the last day of the month following collection month
IWTF	Inmate Welfare Trust Fund		X	Department of Corrections – Inmate Welfare Trust Fund	No specific timeframe
Probation	Additional Supervision Fee	X	X	CVEF Board to be deposited into the CVEF	To the CVEF Board by the end of each month

Note: The audit team did not evaluate whether the courts are collecting the proper fees or whether the fee calculations are calculated correctly.

SOURCE: O.C.G.A., Atlanta Code of Ordinances, Municipal and City Court CJIS and Banner data

**APPENDIX 2
AUDIT RESPONSE
CITY COURT OF ATLANTA AND ATLANTA MUNICIPAL COURT**



**ATLANTA MUNICIPAL COURT
THE CITY COURT OF ATLANTA**

Douglas J. Mincher
Court Administrator/Clerk

August 25, 2004

TO: Leslie Ward, Director, Office of the City Internal Auditor
FM: Douglas J. Mincher *DM*
RE: The Atlanta Municipal Court and the City Court of Atlanta's Preliminary Response to the Office of the City Internal Auditor Performance Audit Concerning Revenue Management in the City Court of Atlanta and Atlanta Municipal Court

In early August, 2004, the Clerk's Office for the Atlanta Municipal Court and the City Court of Atlanta received the confidential draft report of the Performance Audit: Revenue Management in the City Court of Atlanta and Atlanta Municipal Court. This document, prepared by the Office of the City Internal Auditor at the behest of the court, provides an excellent starting point for remedying the court's internal revenue management system.

While the report paints a fairly bleak picture of past practice, we believe there are at least two reasons to be optimistic. First, as you are aware, the two courts will be merged as of January 1, 2005, making the timing of this report ideal. The detail contained here will go a long way in solving a number of operations problems. With numerous issues to be worked out in the merger of the two clerk's offices, it is very helpful to have a detailed list of necessary procedural changes.

Second, the court has every intention of addressing these recommendations as part of the overall plan designed to create an outstanding court. While this cannot be done overnight, I hope our response indicates that we are moving swiftly to correct any and all deficiencies. In fact, since our exit interview on May 28, 2004, the court has either fully implemented or has moved to implement virtually all of the recommendations contained in the report.

Below are the courts' responses to the auditor's recommendations. You will find them in the order given in the report, with your verbiage (in italics) followed by the courts' response.

APPENDIX 2 (continued)
AUDIT RESPONSE
CITY COURT OF ATLANTA AND ATLANTA MUNICIPAL COURT

1. *[The City Court should] Discontinue the practice of paying service providers by direct debit. All vendors or service providers should be paid through the city's Accounts Payable Division.*

The court agrees with this recommendation. It is the court's understanding that the Department of Finance is taking the lead in this area. Businesses such as Nova provide services to other city departments, not just the courts, hence developing a city-wide approach makes sense.

For checking services, the court is currently examining other vendors which allow direct billing as opposed to debiting.

2. *[The City Court should] Determine if the court is receiving all of the bank services that it is being billed for and discontinue paying for services the court is not receiving.*

The court agrees with this recommendation. Like the Auditor, we are concerned with the number and scope of the bank accounts previously kept, and are in the process of closing unneeded accounts, and determining which services are truly needed.

As part of the consolidation process, we have already begun the process of changing banks. In July, the City Court switched their primary bank account from SunTrust to Wachovia. Our intent is to return all accounting functions under the overall supervision of the city's Department of Finance.

3. *[The City Court should] Relocate the cash management room to a less visible location, and place security cameras over cashiers and in the cash management room.*

The court agrees with this recommendation and has contacted Robert Shelor, Capital Project Officer to help facilitate these changes. We plan to move the cash reconciling area to an internal room, located securely within the clerk's office and away from exterior windows. We also plan to move at least one security camera to the cashier area for surveillance. It is our intent to have this completed during the time the Municipal Court physically moves into the Traffic Court Courthouse.

4. *[The City Court should] Ensure that the \$1.4 million collected from December 2003 through April 2004, but not transferred to the city, is promptly transferred to the city and allocated to the proper funds.*

The court agrees with this recommendation and moved these funds in early August.

APPENDIX 2 (continued)
AUDIT RESPONSE
CITY COURT OF ATLANTA AND ATLANTA MUNICIPAL COURT

5. *[The City Court should] Develop written policies and procedures for cash collection activities. The procedures should be as detailed as possible, include the appropriate internal controls, and periodically updated so that they remain current.*

The court agrees with this recommendation. In June, 2004, Sharlene Brown, Budget Manager for the Atlanta Municipal Court was transferred to the City Court to help implement this (and other) recommendations. She has already drafted some new procedures and borrowed others from the Municipal Court's list of standard operating procedures (see page 10-11 of the report).

As we continue to reorganize the accounting system, we will pay particular attention to keeping appropriate and current written procedures.

6. *[The City Court should] Reconcile cashier tills daily. Each till should be reconciled by a supervisor, including the amount of cash at the start of the day (change fund), the amount collected, and the amount deposited into the CompuSafe. Any differences between the amounts collected and deposited should be investigated.*

The court agrees with this recommendation. In fact, we consider this particular recommendation to be so crucial that we began instituting this change the day after our exit interview with the auditor. All tills are reconciled twice daily, with close supervision by a manager. Any over/under discrepancy is appropriately investigated.

7. *[The City Court should] Discontinue having cashiers enter fine amounts into Banner. This practice violates adequate segregation of duties instead court clerks or staff in the Data Entry Division should enter fine amounts.*

The court agrees with this recommendation, however we believe restructuring at the present time would cause more problems than it would solve. As you are aware, the entire court system is undergoing substantial change. One of these changes involves developing and implementing a new case management system which is a cornerstone in our goal of becoming an information-on-demand (paperless) court. For the purpose of this discussion, we foresee implementing this particular change when we install the new system.

8. *[The City Court should] Discontinue paying police officers in cash for court appearances. APD officers should be paid by check as described in recommendation #23. All other eligible law enforcement officers should be paid by check from the city's Accounts Payable Division as described in recommendation #25.*

The court agrees with this recommendation. We notified APD of the pending change in July, then effectively ended the practice of paying all law enforcement

APPENDIX 2 (continued)
AUDIT RESPONSE
CITY COURT OF ATLANTA AND ATLANTA MUNICIPAL COURT

officers in cash August 2004, per your recommendation. They are now paid via check through accounts payable.

9. *[The City Court should] Discontinue the assessment of the \$40 arrest warrant fee because the Department of Law has determined that there is no legal basis for collecting this fee. The Court Administrator should verify the total amount of warrant fees collected, and ensure that PPS remits all collected warrant fees to the court. The monies should be segregated from the court's operating funds until a policy on refunds is established.*

The court agrees with this recommendation. We have directed Private Probation Services, Inc. to stop collecting this assessment, and the monies collected have been segregated. Upon final recommendation from the City Law Department, the court will establish a policy to resolve this issue.

10. *[The City Court should] Ensure that fees charged by vendors for accepting payments over the phone, online, or for accepting electronic checks, credit or debit cards, are passed to customers.*

The court is considering this recommendation. We are researching the laws governing this issue; bear in mind the laws governing the Municipal Court and the Traffic Court are still different through the end of 2004. Following consolidation, we do not see a problem implementing this recommendation.

11. *[The City Court should] Conduct initial background checks on all employees who have access to revenues or who process payments, and perform subsequent checks each year thereafter.*

The court agrees with this recommendation, and in July, 2004, we started the process to have all appropriate staff routinely checked once a year.

12. *[The Municipal Court should] Require cashiers to keep their change funds in their cash drawers, and limit the number of change funds to one per cashier.*

The court agrees with this recommendation, and in June, 2004, we implemented this change.

13. *[The Municipal Court should] Prohibit cashiers from collecting less than the scheduled payment without prior approval from the TPP coordinator.*

The court agrees in principal with this recommendation. Provided there are standard operating procedures in place and adhered to, we find no problem with accepting an

APPENDIX 2 (continued)
AUDIT RESPONSE
CITY COURT OF ATLANTA AND ATLANTA MUNICIPAL COURT

occasional partial payment. We will, however, make sure no partial payments are taken until such procedures are in place.

14. *[Both Courts should] Develop a back-up system that will allow them to continue to allocate court revenues to the proper funds and programs as required by law if their information system becomes inoperative. Once implemented, the back-up system should be tested periodically to ensure that it would perform adequately when needed. The courts should consider contacting the Court Fees Program at the State's Administrative Office of the Courts for assistance in creating a back-up system.*

The courts agree that some type of back up system is necessary and will contact the AO for further information.

15. *[Both Courts should] Implement a comprehensive password policy regarding the creation, protection, purpose, and use of passwords. Passwords should be checked periodically to ensure that the policy is being followed. To the extent possible, the systems should be configured to initiate system time-outs and encrypt the passwords after they are entered.*

The courts agree with this recommendation, and we are currently developing a comprehensive policy for password use. Passwords are being checked regularly.

System time-outs and other CMS-driven safeguards will be central to any new system the court considers. Due to the frailty of the Banner System in the City Court, we are understandably leery of implementing this particular recommendation right now.

16. *[Both Courts should] Activate and review audit trails in the courts' information systems. The audit trail in Banner should be activated, and Jalan should be configured to allow court staff to view and obtain reports of the audit trail. Once the audit trails are enabled, supervisors should review them daily.*

The courts very much agree with this recommendation, but there are limitations to what can be done at the present time. As you are aware, Banner, used in the Traffic Court, is an unstable system that has crashed for extended periods (months) in the recent past. The court's IT managers not only discourage alterations to this system, but actually believe doing so may crash the system again. We believe that this particular recommendation is best implemented with the new CMS (the same applies with the #17, below).

APPENDIX 2 (continued)
AUDIT RESPONSE
CITY COURT OF ATLANTA AND ATLANTA MUNICIPAL COURT

17. *[Both Courts should] Configure Jalan to allow court staff access to view deleted transactions. Supervisors should review deleted transactions daily to ensure that they were appropriate.*

The courts agree with this recommendation, however according to DIT, this is not feasible due to the expense. It is our intent to make sure this feature is central to any new CMS the court considers.

18. *[Both Courts should] Conduct routine surprise cash counts.*

The courts agree with this recommendation, and both courts have recently conducted surprise cash counts. We will continue to do perform these on a routine, albeit unannounced basis.

19. *[Both Courts should] Prohibit cashiers from cashing checks for employees or judges.*

The courts agree with this recommendation and both courts have ceased this practice.

20. *[Both Courts should] Confirm that mailed payments are logged and reconciled to ensure that all mailed payments were deposited. Checks received through the mail should be restrictively endorsed upon receipt.*

The courts agree with this recommendation. Municipal Court and City Court have revised the mail log procedures to include confirmation of payments. We are reviewing the use of an encoding machine (similar to the type used by Treasury) or bank stamp for restrictive endorsing of mail payments.

21. *[City Court should implement the following recommendation once the new information system is in place.] Interface the pay-by-phone service with the information system, so that call center operators will no longer have to take credit card information over the phone.*

The court agrees with this recommendation and will ask for this feature when discussing the CMS.

22. *[City Court should implement the following recommendation once the new information system is in place.] Ensure credit and debit card numbers are encrypted on printed receipts.*

APPENDIX 2 (continued)
AUDIT RESPONSE
CITY COURT OF ATLANTA AND ATLANTA MUNICIPAL COURT

The court agrees with this recommendation and will ask for this feature when discussing the CMS.

The final three recommendations are not directed at the court, however the court wishes to respond briefly to them.

- 23. Atlanta Police Department officers should be paid for all court time through the city's payroll system. The officers would be paid either their regular hourly wage or at the overtime rate, depending on the officers' overtime eligibility. As a result, the \$25 per diem payments would be eliminated.*
- 24. The Chief Financial Officer should work with the Court Administrator and the Chief of Police to adjust their respective budgets to allow for the change in expenditures.*
- 25. The Chief Financial Officer and Court Administrator should establish a process to pay witness fees by check to off-duty officers of other jurisdictions who appear in city court. The process should include controls over compliance with state law governing the payments.*

The court has been working with Accounts Payable to solve the problem with cash payments to officers, as noted above (#8 above). It is my understanding that the \$25 per diem officer pay is only to be paid when the officers are subpoenaed to testify while off-duty. At the request of APD, the manner in which we schedule officers has recently been changed, and this may solve the problem, at least to a large extent.

The court also agrees with recommendations #24 and #25 and will be glad to work with the Chief Financial Officer on this issue.

Both the Atlanta Municipal Court and the City Court of Atlanta appreciate the time and effort involved in producing this audit, and we have found the issues raised by your department to be substantial. I believe you can tell from the courts' response that we intend to bring those areas you have identified as deficient up to a satisfactory level in the shortest timeframe possible.

I'm sure we will be in contact as we move through each of these items and resolve any remaining issues. Please feel free to contact me or the court staff at any time. I and the courts value your input, and we look forward to a continuing cooperative relationship with the Office of the City Internal Auditor.

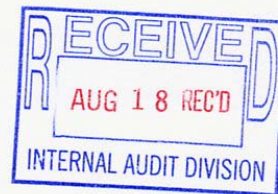
**APPENDIX 3
AUDIT RESPONSE
DEPARTMENT OF FINANCE**



CITY OF ATLANTA

SHIRLEY FRANKLIN
MAYOR

DEPARTMENT OF FINANCE
68 MITCHELL STREET, S.W., SUITE 11100
ATLANTA, GEORGIA 30335-0312
TEL (404) 330-6454 · FAX (404) 658-6667



RICHARD J. ANDERSON
CHIEF FINANCIAL OFFICER
randerson@ci.atlanta.ga.us

To: Leslie Ward, City Internal Auditor

From: Rick Anderson, Chief Financial Officer *RA*

Date: August 16, 2004

Subject: Draft Audit Report Responses – Revenue Management in the City Court Of Atlanta and Atlanta Municipal Court

We have reviewed the draft report and our responses to the recommendations 23 – 25 (located on page 37 of Internal Audit's draft report), related to the Finance Department, follow.

23. The Department of Finance concurs with the recommendation. The court appearance compensation for Atlanta Police Department Officers who appear in court as witnesses during their off-duty hours should be paid at their regular hourly rate or at their overtime rate, depending upon the officers' eligibility. As a result some non-exempt Police Officers may receive overtime pay for court appearances. Exempt Police Officers may be eligible for compensatory time.

The reporting of the overtime hours for payment should be submitted to the Department of Finance using current procedures and the standard prescribed forms required for payroll submittal. The current forms are designated as a "Prelist" and "Overtime Report". Therefore, the change should not have any significant processing impact in the Bureau of Employee Benefits Payroll Division. However, we do recommend that the Chief of Police and the Court Administrator develop uniform procedures for the reporting of the hours worked at the Court to the appropriate Police Department Payroll clerk.

24. The Department of Finance concurs with the recommendation. The adjustments to the budgets will not be offsetting, since the agencies are budgeted in two distinctly different funds.

APPENDIX 3 (continued)
AUDIT RESPONSE
DEPARTMENT OF FINANCE

25. The Department of Finance concurs with the recommendation. We propose that the following controls be established over such payments.

1. There should be a signature form on file in the Accounts Payable Division for court personnel who will authorize payments.
2. The court should submit a completed and signed authorization vendor maintenance form to establish a vendor profile for the witnesses (officers).
3. There should be copies of state provisions and city codes that are specific to witness fee payments for law enforcement officers.
4. A letter from the outside witnesses' (Police Officers') various jurisdictions stating the jurisdictions' pay policies for officers making court appearances on off-duty days. Only officers who are not compensated by their employer for these appearances are eligible for the witness fee.
5. A form should be designed and used as an invoice with all payment information on it.
6. The dates on which the officer appeared in court without compensation should appear on the invoice for Accounts Payable to verify the amount to be paid. Officers may receive only one witness fee per day in court.
7. The Accounts Payable Division will seek to confirm changes in the witnesses' profiles for the other jurisdictions to help keep the vendor information as current as possible.
8. For tax purposes a W-9 Form should be completed for every officer who come from jurisdictions outside the City of Atlanta. This is in case total witness payments, to an individual officer, equal or exceeds \$600 per year. The payments to individual officers for \$600 or more will be reported to the Internal Revenue Service (1099 Miscellaneous Tax Forms).

**APPENDIX 4
AUDIT RESPONSE
DEPARTMENT OF INFORMATION TECHNOLOGY**



**SHIRLEY FRANKLIN
MAYOR**

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**Abe A Kani
Chief Information Officer
Department of Information Technology**

TO: Leslie Ward, City Internal Auditor

FROM: Abe Kani, Chief Information Officer *Abe Kani*

Date: August 27, 2004

Subject: Draft Audit Report on City Courts

I have reviewed the draft audit report submitted by your office, "*Revenue Management in the City Court of Atlanta and Atlanta Municipal Court*" and have summarized below DIT's formal response to the recommendations made in this report concerning information systems. DIT agrees with the audit report that improvements in password and access controls, system audit trails, and system interfaces are very much needed if the consolidated court is to operate efficiently and effectively.

As you may know, the Department of Information Technology assumed responsibility for IT operations at the city courts in the middle of December 2003. We have been able to eliminate the need for a third party vendor for the day-to-day support of the Courts' Case Management System. DIT is committed to working with the new Court Administrator to incorporate as many of the recommended improvements as possible into the existing system as well as the requirements of the future system that will be acquired or developed for the consolidated court. Unfortunately, making these improvements in the current systems at this time would not be cost-effective; the Municipal Court system is outdated and the Traffic Court system has experienced failures and continues to be unstable. Our comments on the four system-related audit recommendations are as follows:

Recommendation #15. In an effort to implement comprehensive password guidelines, the Chief Security and Privacy Officer for DIT has developed a Password Policy to address the creation, protection and use of passwords. This Password Policy is currently under review and is pending approval. Keeping in alignment with this new proposed policy, passwords will be required to be changed periodically. Unfortunately, neither one of the current systems utilized by the courts have the capability to "time-out" after short periods of inactivity.

Recommendation #16. The audit trail for the Banner system has not been enabled. However, Banner does track creation, deletion and modification of records. Due to the inherent instability of the Banner system at this time, it is not possible to enable the audit trail capabilities. Unfortunately, the JALAN system used by the courts does not have audit trail capabilities.

Recommendation #17. It is not practical to modify the JALAN system to enable court staff to review modified, created or deleted transactions.

Recommendation #21. The Banner system utilized by the court is not integrated with the traffic court's pay by phone system. Call center operators no longer take payments by phone, but pay by phone transactions are recorded in Banner through a manual process, which allows for error and lack of security over the information. We agree with the audit recommendation that a new information system for the courts should include pay by phone capability that is fully integrated and does not require manual input to record pay by phone transactions.

APPENDIX 4 (continued)
AUDIT RESPONSE
DEPARTMENT OF INFORMATION TECHNOLOGY



SHIRLEY FRANKLIN
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Abe A Kani
Chief Information Officer
Department of Information Technology

In a combined effort, the Department of Information Technology and Human Resources department are defining levels of authentication and access privileges to ensure security of all systems. A formal procedure will be defined and outline the process by which users will be given appropriate access to the system.

Please let me know if you have any questions or need additional information.

CC: Joe Bellott
Paul Pavlik

**APPENDIX 5
AUDIT RESPONSE
ATLANTA POLICE DEPARTMENT**



CITY OF ATLANTA

Shirley Franklin
Mayor

675 Ponce De Leon Ave. NE
Atlanta, Georgia 30308
(404) 817-6900

Atlanta Police Department
Richard J. Pennington
Chief of Police

August 20, 2004

Leslie Ward
City Internal Auditor
69 Mitchell Street – Ste. 12100
Atlanta, GA 30303

Re: Draft Audit Report – Revenue Management in the City Court of Atlanta
And Atlanta Municipal Court

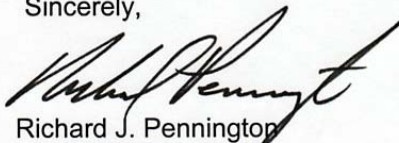
Dear Ms. Ward:

In response to the draft audit report – Revenue Management in the City Court of Atlanta and Atlanta Municipal Court, in particular, recommendations 23 – 25 regarding payment to off-duty police offices for off-duty appearances in city courts, I am in full concurrence with the suggestions and recommendations set forth in the audit report.

I also support recommendations 23, 24 and 25 for implementation set forth on page 37 of the report without reservations or objections.

If I can further assist you, please do not hesitate to contact me.

Sincerely,



Richard J. Pennington
Chief of Police

RJP:AJD:kbm

C: Lynnette Young, COO